

Township of Grattan , Michigan

**Financial Statements and
Independent Auditor's Report**

**For the Fiscal Year Ended
March 31, 2008**

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Grattan Township
Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Grattan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2008, on our consideration of the Township of Grattan, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grattan, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the Township of Grattan, Michigan's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
December 8, 2008

Management Discussion and Analysis

TOWNSHIP OF GRATTAN

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 4% from a year ago - decreasing from \$7,555,636 to \$7,252,689.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewer services to the Township's residents, which comes from the Township's sewer system.

The Township's Funds

Our analysis of the Township's major funds begins with the balance sheet, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$5,674,001 invested in a broad range of capital assets, including buildings, equipment, and sewer lines.

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation before considering new property additions.

Management Discussion and Analysis

Contacting the Township Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (616) 691-8450.

TOWNSHIP OF GRATTAN
Government Wide Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Type Activities	Business Type Activities	Total
Assets			
Current Assets			
Cash	\$ 944,456	\$ 309,025	\$ 1,253,481
Accounts Receivable - Net	44,633	201,681	246,314
Due From Other Funds	55,943	22,950	78,893
Total Current Assets	<u>1,045,032</u>	<u>533,656</u>	<u>1,578,688</u>
Noncurrent Assets			
Capital Assets - Net	-	5,674,001	5,674,001
Total Assets	<u>1,045,032</u>	<u>6,207,657</u>	<u>7,252,689</u>
Liabilities			
Current Liabilities			
Accounts Payable	51,633	431	52,064
Current Portion of Noncurrent Liabilities	-	50,408	50,408
Due to Other Funds	78,893	-	78,893
Total Current Liabilities	<u>130,526</u>	<u>50,839</u>	<u>181,365</u>
Noncurrent Liabilities			
Bonds, Notes and Loans Payable	-	200,000	200,000
Total Liabilities	<u>130,526</u>	<u>250,839</u>	<u>381,365</u>
Net Assets			
Invested in Capital Assets - Net of Related Debt	-	5,674,001	5,674,001
Restricted	-	-	-
Unrestricted	914,506	282,817	1,197,323
Total Net Assets	<u>914,506</u>	<u>5,956,818</u>	<u>6,871,324</u>
Total Liabilities & Net Assets	<u>\$ 1,045,032</u>	<u>\$ 6,207,657</u>	<u>\$ 7,252,689</u>

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Government Wide Statement of Activities
For the Year Ended March 31, 2008

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Legislative	\$ 217,047	\$ -	\$ -	\$ (217,047)	\$ -	\$ (217,047)
General Government	103,973	6,004	-	(97,969)	-	(97,969)
Public Safety	113,488	-	-	(113,488)	-	(113,488)
Public Works	64,455	-	-	(64,455)	-	(64,455)
Culture & Recreation	2,514	-	-	(2,514)	-	(2,514)
Other	122,755	-	-	(122,755)	-	(122,755)
Interest on Long Term Debt	119,443	-	-	(119,443)	-	(119,443)
Total Governmental Activities	743,675	6,004	-	(737,671)	-	(737,671)
Business-Type Activities						
Sewer Funds	639,039	318,399	-	-	(320,640)	(320,640)
Total Business-Type Activities	639,039	318,399	-	-	(320,640)	(320,640)
Total Primary Government	1,382,714	324,403	-	(737,671)	(320,640)	(1,058,311)
General Revenues						
Property Taxes				483,985	-	483,985
State Grants				307,554	-	307,554
Unrestricted Investment Earnings				12,953	22,078	35,031
Franchise Fee				26,581	-	26,581
Other Revenue				28,541	54,850	83,391
Total General Revenues - Special Items & Transfers				859,614	76,928	936,542
Change in Net Assets				121,943	(243,712)	(121,769)
Net Assets - Beginning				792,564	6,200,530	6,993,094
Net Assets - Ending				\$ 914,506	\$ 5,956,818	\$ 6,871,324

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATAN
Balance Sheets
All Governmental Fund Types
March 31, 2008

	Governmental Fund Types				Total Governmental Funds
	General	Fire Operating	Fire Equipment	Non-Major Funds	
Assets					
Assets					
Cash	\$ 432,181	\$ 231,573	\$ 110,484	\$ 170,218	\$ 944,456
Accounts Receivable	895	-	-	-	895
Taxes Receivable	7,415	9,653	4,812	-	21,880
Due From Other Funds	-	-	55,943	-	55,943
Other Receivables	21,858	-	-	-	21,858
Total Assets	<u>\$ 462,349</u>	<u>\$ 241,226</u>	<u>\$ 171,239</u>	<u>\$ 170,218</u>	<u>\$ 1,045,032</u>
Liabilities					
Liabilities					
Accounts Payable	\$ 51,039	\$ 594	\$ -	\$ -	\$ 51,633
Due to Other Funds	22,950	55,943	-	-	78,893
Total Liabilities	<u>73,989</u>	<u>56,537</u>	<u>-</u>	<u>-</u>	<u>130,526</u>
Fund Balance					
Unreserved, Undesignated	388,360	184,689	171,239	170,218	914,506
Total Fund Balance	<u>388,360</u>	<u>184,689</u>	<u>171,239</u>	<u>170,218</u>	<u>914,506</u>
Total Liabilities & Fund Balance	<u>\$ 462,349</u>	<u>\$ 241,226</u>	<u>\$ 171,239</u>	<u>\$ 170,218</u>	<u>\$ 1,045,032</u>

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2008

	Governmental Fund Types				Total Governmental Funds
	General Fund	Fire Operating	Fire Equipment	Non-Major Funds	
Revenues					
Taxes and Penalties	\$ 185,204	\$ 143,855	\$ 71,897	\$ 83,029	\$ 483,985
State Grants	307,554	-	-	-	307,554
Charges for Services	6,004	-	-	-	6,004
Franchise Fees	26,581	-	-	-	26,581
Interest and Rentals	2,375	6,218	2,206	2,154	12,953
Other Revenue	27,741	800	-	-	28,541
Total Revenues	555,459	150,873	74,103	85,183	865,618
Expenditures					
Current					
Legislative	151,933	-	-	-	151,933
General Government	65,384	-	-	-	65,384
Public Safety	2,760	110,728	-	-	113,488
Public Works	64,455	-	-	-	64,455
Planning and Zoning	38,589	-	-	-	38,589
Recreation and Cultural	2,514	-	-	-	2,514
Other	83,691	-	-	39,064	122,755
Debt Service	31,276	-	75,243	12,924	119,443
Total Expenditures	440,602	110,728	75,243	51,988	678,561
Excess Revenues Over (Under) Expenditures	114,857	40,145	(1,140)	33,195	187,057
Changes in Fund Balances					
Net Change in Fund Balances	114,857	40,145	(1,140)	33,195	187,057
Fund Balance - Beginning of Year	273,503	144,544	172,379	137,023	727,449
Fund Balance - End of Year	<u>\$ 388,360</u>	<u>\$ 184,689</u>	<u>\$ 171,239</u>	<u>\$ 170,218</u>	<u>\$ 914,506</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 187,057
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation	(65,114)
Change in Net Assets of Governmental Activities	<u>\$ 121,943</u>

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Statement of Net Assets
Sewer Fund
March 31, 2008

Assets

Current

Cash	\$ 309,025
Accounts Receivable - Trade	64,468
Due From Other Funds	22,950
Total Current Assets	<u>396,443</u>

Receivables - Net	137,213
Property, Plant and Equipment	9,014,681
Less: Accumulated Depreciation	<u>(3,340,680)</u>
	<u>5,811,214</u>

Total Assets	<u><u>\$ 6,207,657</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 431
Current Portion of Long Term Debt	40,000
Accrued Interest	10,408
Total Current Liabilities	<u>50,839</u>

Bond Payable	200,000
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Net Assets

Unrestricted	282,817
Restricted	5,674,001
Total Net Assets	<u>5,956,818</u>

Total Liabilities & Net Assets	<u><u>\$ 6,207,657</u></u>
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The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN
Statement of Revenues, Expenditures and Changes in Net Assets
Sewer Fund
For the Year Ended March 31, 2008

<u>Revenues</u>	
Charges for Services	\$ 318,399
<u>Expenditures</u>	
Operating Expenditures	
Personnel Services	7,409
Supplies	1,879
Contractual Services	266,936
Computer Services	17
Maintenance and Repairs	101,603
Utilities	29,741
Insurance	2,557
Transportation	384
Administrative Fees	22,140
Bank Charges	292
Other Expenses	2,260
Legal and Professional	54,022
Depreciation and Amortization	<u>139,386</u>
Total Operating Expenditures	<u>628,626</u>
Non-Operating Income (Expense)	
Interest - Investments	17,078
Lease	5,000
Property Sale	54,850
Interest - Debt Payments	<u>(10,413)</u>
Total Non-Operating Income (Expense)	<u>66,515</u>
Change in Net Assets	(243,712)
Total Net Assets - Beginning	6,200,530
Total Net Assets - Ending	<u><u>\$ 5,956,818</u></u>

The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN
Statement of Cash Flows
Sewer Fund
For the Year Ended March 31, 2008

Cash Flows From Operating Activities

Net Operating Income	\$ (310,227)
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Adjustment to Reconcile Net Operating Income to
Net Cash Provided by Operating Activities

Depreciation	139,386
(Increase) Decrease in Accounts Receivable - Trade	(20,484)
(Increase) Decrease in Prepaid Expenses	5,251
(Increase) Decrease in Other Receivables	13,436
Increase (Decrease) in Accounts Payable	(49,026)
Increase (Decrease) in Accrued Interest Payable	10,408

Net Cash Used in Operating Activities	(211,256)
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Cash Flows From Investing Activities

Interest on Investments	17,078
Other Non-Operating Income	59,850

Net Cash Provided by Investing Activities	76,928
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Cash Flows From Financing Activities

Interest Paid on Long Term Debt	(10,413)
Principal Paid on Long Term Debt	(40,000)

Net Cash Used in Financing Activities	(50,413)
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Net Decrease in Cash and Equivalents	(184,741)
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Cash and Equivalents - Beginning of Year	493,766
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Cash and Equivalents - End of Year	\$ 309,025
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The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN
Statement of Net Assets
Trust and Agency Funds
March 31, 2008

<u>Assets</u>	
Assets	
Cash	\$ 51,948
Total Assets	<u>51,948</u>
<u>Liabilities</u>	
Liabilities	
Due to Other Funds	51,948
Total Liabilities	<u>\$ 51,948</u>

The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. Reporting Entity

Township is a Common Law Township located in Kent County, Michigan. The Township is governed by an elected seven member board. Services are provided to approximately 3,550 residents and include fire protection and sewer collection and general community enrichment services.

The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials". As such, the Township has no other agencies reported as Component Units of the Township which requires a discreet presentation in accordance with GASB 14.

B. Government -Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Summary of Significant Accounting Policies

Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

The accounting policies of the Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include –

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary Fund Types include –

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary Fund Types include –

The *Sewer Fund* uses the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Fixed Assets

All Proprietary funds are accounted for on a cost of service measurement focus. The operating statements present increases and decreases in net total assets. Depreciation of all fixed assets is charged as an expense against their operations. Accumulated Depreciation is reported on the balance sheet. Depreciation for the Proprietary funds is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Life</u>
Equipment	Straight Line	3-5 years
Plant	Straight Line	15-60 years
Fire Trucks	Straight Line	15 years

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds	<u>Assets</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Equipment	10,884	1,300	5,837
Sewer System	9,003,797	138,086	3,334,843
	<u>9,014,681</u>	<u>139,386</u>	<u>3,340,680</u>

E. Fixed Assets – Governmental Funds

All Governmental funds are accounted for on a modified accrual basis of accounting. All capital outlay is expensed in the appropriated fund. Under GASB 34 all fixed assets (net of accumulated depreciation) and long term debt are booked on the balance sheet as Net Assets and Long Term Debt. Depreciation of all fixed assets is charged as an expense against their operations. Accumulated Depreciation is reported on the balance sheet. Depreciation for the Government Funds is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Life</u>
Buildings	Straight Line	15-30 years
Equipment	Straight Line	3-5 years
Plant	Straight Line	10-75 years

	<u>Assets</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Land	37,377	1,300	5,837
Buildings and Imp	1,347,293	32,287	154,950
Vehicles	507,500	25,375	191,300
Equipment	111,843	7,452	39,202
Total	<u>2,004,013</u>	<u>66,414</u>	<u>391,289</u>

F. Budgets and Budgetary Accounting

The general fund and sewer fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 2 - Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

The expenditures were all approved by the Board except for those which occurred as accounts payable at year end.

Note 3 - Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.
2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more than 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

Note 4 - Cash and Investments

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 4 – Cash and Investments (Continued)

- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

B. Deposits of the Township are authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of the Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 4 – Cash and Investments (Continued)

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	<u>Carrying Value</u>
Insured	\$ 250,000
Uninsured	\$ 694,456

The Sewer Fund has investments with Huntington Investments as follows:

Sewer Line Cleaning	\$240,642
Sanitary Drain Fund	<u>\$68,384</u>
Total	\$309,026

Note 5 - Long Term Debt

A. Listed below are descriptions of the bond issues and installment contracts in the township governmental activities and business activities.

1. Installment purchase agreement – bank. Limited tax general obligation, annual installments of \$75,243 including interest at 4.20%. Final payment due June 1, 2020.
2. Lake improvement bond – bank. Issued in anticipation of the collection of special assessments, annual installments of \$11,375 plus interest at 4.54%. Final payment due June 1, 2020.
3. Note payable – bank, site improvements loan, dated April 1, 1998. Annual installments of \$9,000 to 17,000, plus interest at 5.45%.
4. Note payable – bank, office construction loan, dated November 1, 1997. Annual installments of \$8,250 to \$17,000, plus interest at 5.40%. Final payment due July, 2012.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 5 – Long Term Debt (Continued)

B. Changes in the long-term debt are scheduled below:

Bonds Payable	Balance 4/01/07	Additions	Retirements	Balance 3/31/08
General Obligation	783,734		783,734	-
Lake Improvement Bond	34,125		11,375	22,750
Site Improvements Loan	60,000		10,000	50,000
Note Payable	84,750		13,250	71,500
Total	962,609		818,359	144,250
Sewer System Sewer Improvement Loan	280,000		40,000	240,000
Total	1,242,609	-	858,359	384,250

C. Debt service requirements to maturity.

	Principal	Interest	Principal	Interest
2007	60,000	49,179	70,402	14,661
2008	65,000	46,460	67,309	11,316
2009	65,000	43,633	58,323	8,314
2010	60,000	40,906	55,389	5,660
2011	60,000	38,281	50,347	3,090
2012	60,000	35,656	32,731	569
2013	65,000	32,922		
2014	60,000	30,188		
2015		27,555		
2016	120,000	24,915		
2017		22,230		
2018	120,000	19,500		
2019		16,695		
2020				

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

	120,000	13,815		
2021		10,875		
2022	120,000	7,875		
2023		4,845		
2024	125,000	1,657		
Total	1,100,000	467,187	334,501	43,610

Note 6 – Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 7 – Accounts Receivable

\$64,468 of accounts receivable represents billed sewer and water fees not yet collected.

Note 8 – Pension Plan

The Township participates in a defined contribution pension plan covering all elected officials and other part-time employees. The Township contributes \$100 for each \$1000 of annual compensation. The Township's contribution for the year ended December 31, 2007 amounted to \$23,202.

Note 9 – Deferred Compensation Plan

The Township offers all Township officers, officials and employees who are employed for more than thirty hours per week a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the participants to defer a portion of their salary until future years.

Note 10 - Compensated Absences and Post Employment Benefits

Employees are allowed to accrue four hours of sick leave each month. One quarter of the sick days vest under the Township's policy. In addition, employees are granted vacation leave up to 15 days annually depending upon years of service. Employees are permitted to carry over no more than five days of accumulated leave to the next calendar year. At December 31, 2007 the accrued vested liability was \$7,153.

TOWNSHIP OF GRATTAN, MICHIGAN

Notes to the Financial Statements

Note 11 – Risk Management

The Township carries liability insurance through Municipal Underwriters of Michigan as a protection against risk.

Note 12 - Inventories

The Township does not maintain a substantial inventory of supplies or materials.

Note 13 – Taxes Receivable

Taxes receivable are offset by deferred revenue until the beginning of the Township fiscal year, at which time the current levy is recognized as revenue. Total taxes receivable at December 31, 2007 were \$317,679.

Note 14 – Contingent Liabilities

Township management is aware of no contingent liabilities on the part of the Township.

TOWNSHIP OF GRATTAN
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues				
Current Property Taxes	\$ 155,000	\$ 155,000	\$ 185,204	\$ 30,204
Licenses and Permits	45,945	45,945	41,104	(4,841)
Rents and Royalties	2,500	2,500	2,375	(125)
Charges for Service	4,500	4,500	6,004	1,504
Franchise Fee	12,000	12,000	26,581	14,581
State Shared Revenue	250,564	250,564	244,310	(6,254)
Sewer Reimbursements	22,140	22,140	22,140	-
State Grant	46,000	46,000	-	(46,000)
Other Revenue	9,810	9,810	14,842	5,032
Cemetery Lot Revenue	1,000	1,000	3,100	2,100
Interest CDs	4,000	4,000	9,799	5,799
Total Revenues	553,459	553,459	555,459	2,000
Expenditures				
Trustees				-
Salaries and Wages	7,000	7,000	7,000	-
Mileage	200	200	-	200
Dues	102	102	103	(1)
Total Trustees	7,302	7,302	7,103	199
Supervisor				
Salaries and Wages	17,754	17,754	17,756	(2)
Office Supplies	200	200	34	166
Transportation	634	634	297	337
Dues and Membership	110	110	170	(60)
Computer Support	200	200	64	136
Education and Training	500	500	75	425
Total Supervisor	19,398	19,398	18,396	1,002
Elections				
Salaries and Wages	4,335	4,335	3,001	1,334
Office Supplies	669	669	243	426
Contract Services	400	400	203	197
Transportation	107	107	296	(189)
Printing and Supplies	2,000	2,000	213	1,787
Computer Support	660	660	-	660
Miscellaneous	-	-	302	(302)
Total Elections	8,171	8,171	4,258	3,913
Assessor				
Office Supplies	200	200	113	87
Contract Services	28,580	28,580	27,072	1,508
Dues and Membership	100	100	-	100
Assessment Notices	-	-	1,066	(1,066)
Computer Support	800	800	985	(185)

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget		
Education	500	500	-	500
Printing	150	150	-	150
Total Assessor	30,330	30,330	29,236	1,094
Clerk				
Salaries and Wages	31,738	31,738	30,422	1,316
Contract Services	1,440	1,440	1,383	57
Office Supplies	400	400	792	(392)
Transportation	665	665	579	86
Education	2,500	2,500	989	1,511
Dues and Membership	65	65	180	(115)
Computer Support	4,000	4,000	3,580	420
Total Clerk	40,808	40,808	37,925	2,883
Treasurer				
Salaries and Wages	31,439	31,439	31,978	(539)
Office Supplies	800	800	1,529	(729)
Transportation	850	850	806	44
Computer Support	4,850	4,850	3,142	1,708
Education	1,900	1,900	1,285	615
Dues and Membership	140	140	120	20
Total Treasurer	39,979	39,979	38,860	1,119
Buildings and Grounds				
Repairs and Maintenance	9,500	9,500	6,195	3,305
Landscaping	500	500	-	500
Office Remodeling	8,000	8,000	7,900	100
Total Buildings and Grounds	18,000	18,000	14,095	3,905
Cemetery				
Contract Services	2,800	2,800	2,060	740
Professional Services	500	500	-	500
Total Cemetery	3,300	3,300	2,060	1,240
General Administration				
Salaries and Wages	19,186	19,186	22,844	(3,658)
Office Supplies	7,700	7,700	5,594	2,106
Contract Services	8,260	8,260	11,389	(3,129)
Dues and Membership	2,700	2,700	2,790	(90)
Engineering Fees	-	-	184	(184)
Computer Support	200	200	1,615	(1,415)
Education	200	200	-	200
Printing and Publishing	5,000	5,000	1,273	3,727
Utilities	11,000	11,000	9,916	1,084
Mileage	970	970	893	77
Repairs and Maintenance	2,500	2,500	2,661	(161)
Senior Hall	4,920	4,920	422	4,498
Lawn Mowing / Snow Removal	5,500	5,500	5,040	460

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	2008 Actual	
Miscellaneous	1,050	1,050	763	287
Total General Administration	69,186	69,186	65,384	3,802
Professional Services				
Legal	40,000	40,000	43,395	(3,395)
Audit	6,750	6,750	7,589	(839)
Accounting	1,200	1,200	613	587
Total Professional Services	47,950	47,950	51,597	(3,647)
Zoning Administration				
Salaries and Wages	13,375	13,375	11,897	1,478
Office Supplies	-	-	171	(171)
Transportation	1,213	1,213	1,388	(175)
Total Zoning Administration	14,588	14,588	13,456	1,132
Building Inspections				
Salaries and Wages	36,843	36,843	32,992	3,851
Inspector Training	1,000	1,000	378	622
Office Supplies	300	300	4,228	(3,928)
Dues and Membership	100	100	100	-
Mileage	3,880	3,880	2,021	1,859
Computer Support	500	500	417	83
Total Building Inspections	42,623	42,623	40,136	2,487
Highways, Streets & Bridges				
Electricity	2,500	2,500	2,013	487
Road Maintenance	10,000	10,000	10,375	(375)
Dust Layer	14,000	14,000	11,931	2,069
Right of Way	5,556	5,556	-	5,556
Total Highways, Streets & Bridges	32,056	32,056	24,319	7,737
Cultural Services				
Memorial Day	500	500	461	39
Pars & Rec. Prop. Acquisition	40,500	40,500	-	40,500
Senior Programs - GRANT	16,000	16,000	-	16,000
Clean-up Days	1,200	1,200	943	257
Museum Contract Services	1,000	1,000	1,110	(110)
Grattan Museum	1,000	1,000	-	1,000
Total Cultural Services	60,200	60,200	2,514	57,686
Planning				
Salaries and Wages	4,512	4,512	2,571	1,941
Professional Fees - Legal	10,000	10,000	14,391	(4,391)
Contract Services - Planning	7,000	7,000	-	7,000
Printing	750	750	486	264
Education	1,800	1,800	720	1,080
Planning & Special Projects	1,000	1,000	58	942
Total Planning	25,062	25,062	18,226	6,836

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	2008 Actual	
Safety Board				
Salaries and Wages	188	188	226	(38)
Total Safety Board	188	188	226	(38)
Zoning Board of Appeals				
Salaries and Wages	2,385	2,385	2,896	(511)
Education	2,100	2,100	240	1,860
Professional Fees - Legal	1,000	1,000	1,491	(491)
Printing	400	400	301	99
Planner Fees	500	500	-	500
Membership Dues	200	200	-	200
Total Zoning Board of Appeals	6,585	6,585	4,928	1,657
Board of Review				
Salaries and Wages	1,035	1,035	923	112
Miscellaneous	-	-	177	(177)
Education	280	280	789	(509)
Total Board of Review	1,315	1,315	1,889	(574)
Fire Administration & Safety				
Salaries and Wages	2,651	2,651	2,534	117
Total Fire Administration & Safety	2,651	2,651	2,534	117
Farmland Preservation				
PDR Matching Fund	10,000	10,000	-	10,000
Total Farmland Preservation	10,000	10,000	-	10,000
M-44 Committee				
Corridor	274	274	-	274
Total M-44 Committee	274	274	-	274
Wetlands Review Board				
Review Board	675	675	90	585
Review Board Taxes	24	24	-	24
Wetlands Legal	1,500	1,500	-	1,500
Total Wetlands Review Board	2,199	2,199	90	2,109
Other Expenses				
Employee Retirement Plan	11,715	11,715	14,911	(3,196)
Insurance and Bonds	19,788	19,788	8,421	11,367
Aerial Photo System	700	700	-	700
Total Other Expenses	32,203	32,203	23,332	8,871
Cable				
Salaries and Wages	5,348	5,348	6,198	(850)
Education	100	100	-	100
Contract Services	1,140	1,140	1,142	(2)

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	2008 Actual	
Office Supplies	225	225	185	40
Repairs and Maintenance	500	500	-	500
Computer Support	400	400	254	146
New Equipment	3,440	3,440	983	2,457
Miscellaneous	100	100	-	100
Total Cable	11,253	11,253	8,762	2,491
Loans				
Principal	19,500	19,500	23,250	(3,750)
Interest	9,099	9,099	8,026	1,073
Total Loans	28,599	28,599	31,276	(2,677)
Total Expenditures	554,220	554,220	440,602	113,618
Excess Revenues Over (Under) Expenditures	(761)	(761)	114,857	115,618
Other Financing Sources (Uses)				
Transfers Out	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(761)	(761)	114,857	115,618
Fund Balance - Beginning of Year			273,503	
Fund Balance - End of Year			<u>\$ 388,360</u>	

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Comparative Combining Balance Sheet
All Non-Major Funds
March 31, 2008

	Pine Island Weed Control Fund	Big Crooked Lake Weed Control Fund	Cowan Lake Weed Control Fund	Round Lake Weed Control Fund	Total Non-Major Governmental Funds
Assets					
Assets					
Cash	\$ 69,943	\$ 56,347	\$ 24,290	\$ 19,638	\$ 170,218
Total Assets	<u>69,943</u>	<u>56,347</u>	<u>24,290</u>	<u>19,638</u>	<u>170,218</u>
Liabilities					
Liabilities					
Accounts Payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Unreserved, Undesignated	69,943	56,347	24,290	19,638	170,218
Total Fund Balance	<u>69,943</u>	<u>56,347</u>	<u>24,290</u>	<u>19,638</u>	<u>170,218</u>
Total Liabilities & Fund Balance	<u>\$ 69,943</u>	<u>\$ 56,347</u>	<u>\$ 24,290</u>	<u>\$ 19,638</u>	<u>\$ 170,218</u>

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended March 31, 2008

	Pine Island Weed Control Fund	Big Crooked Lake Weed Control Fund	Cowan Lake Weed Control Fund	Round Lake Weed Control Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 27,881	\$ 19,950	\$ 26,584	\$ 8,614	\$ 83,029
Interest	905	770	203	276	2,154
Total Revenues	28,786	20,720	26,787	8,890	85,183
Expenditures					
Contracted Services	11,706	13,356	6,041	6,312	37,415
Printing and Publishing	-	383	-	-	383
Debt Service	-	-	12,924	-	12,924
Miscellaneous	-	228	1,038	-	1,266
Total Expenditures	11,706	13,967	20,003	6,312	51,988
Excess Revenues Over (Under) Expenditures	17,080	6,753	6,784	2,578	33,195
Changes in Fund Balances					
Net Change in Fund Balances	17,080	6,753	6,784	2,578	33,195
Fund Balance - Beginning of Year	52,863	49,594	17,506	17,060	137,023
Fund Balance - End of Year	<u>\$ 69,943</u>	<u>\$ 56,347</u>	<u>\$ 24,290</u>	<u>\$ 19,638</u>	<u>\$ 170,218</u>

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTA
 Budgetary Comparison Schedule
 Pine Island Weed Control Fund
 For the Year Ended March 31, 2008

	Final Budget	2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 31,522	\$ 27,881	\$ (3,641)
Interest	500	905	405
Total Revenues	<u>32,022</u>	<u>28,786</u>	<u>(3,236)</u>
Expenditures			
Contracted Services	38,000	11,706	26,294
Printing and Publishing	400	-	400
Debt Service	-	-	-
Miscellaneous	2,000	-	2,000
Total Expenditures	<u>40,400</u>	<u>11,706</u>	<u>28,694</u>
Excess Revenues Over (Under) Expenditures	<u>(8,378)</u>	<u>17,080</u>	<u>25,458</u>
Changes in Fund Balances			
Net Change in Fund Balances		17,080	
Fund Balance - Beginning of Year		52,863	
Fund Balance - End of Year		<u>\$ 69,943</u>	

The footnotes are an integral part of these Financial Statements.

TOWNSHIP OF GRATTAN
 Budgetary Comparison Schedule
 Big Crooked Lake Weed Control Fund
 For the Year Ended March 31, 2008

	Final Budget	2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 18,450	\$ 19,950	\$ 1,500
Interest	800	770	(30)
Total Revenues	<u>19,250</u>	<u>20,720</u>	<u>1,470</u>
<u>Expenditures</u>			
Contracted Services	16,197	13,356	2,841
Printing and Publishing	-	383	(383)
Debt Service	-	-	-
Miscellaneous	-	228	(228)
Total Expenditures	<u>16,197</u>	<u>13,967</u>	<u>2,230</u>
Excess Revenues Over (Under) Expenditures	<u>3,053</u>	<u>6,753</u>	<u>3,700</u>
<u>Changes in Fund Balances</u>			
Net Change in Fund Balances		6,753	
Fund Balance - Beginning of Year		49,594	
Fund Balance - End of Year		<u>\$ 56,347</u>	

The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN
 Budgetary Comparison Schedule
 Cowan Lake Weed Control Fund
 For the Year Ended March 31, 2008

	Final Budget	2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 27,096	\$ 26,584	\$ (512)
Interest	100	203	103
Total Revenues	<u>27,196</u>	<u>26,787</u>	<u>(409)</u>
Expenditures			
Contracted Services	12,500	6,041	6,459
Printing and Publishing	-	-	-
Debt Service	13,441	12,924	517
Miscellaneous	350	1,038	(688)
Total Expenditures	<u>26,291</u>	<u>20,003</u>	<u>6,288</u>
Excess Revenues Over (Under) Expenditures	<u>905</u>	<u>6,784</u>	<u>5,879</u>
Changes in Fund Balances			
Net Change in Fund Balances		6,784	
Fund Balance - Beginning of Year		17,506	
Fund Balance - End of Year		<u><u>\$ 24,290</u></u>	

The footnotes are an integral part of these financial statements.

TOWNSHIP OF GRATTAN
Budgetary Comparison Schedule
Round Lake Weed Control Fund
For the Year Ended March 31, 2008

	Final Budget	2008 Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 8,610	\$ 8,614	\$ 4
Interest	50	276	226
Total Revenues	8,660	8,890	230
Expenditures			
Contracted Services	4,000	6,312	(2,312)
Printing and Publishing	-	-	-
Debt Service	200	-	200
Miscellaneous	-	-	-
Total Expenditures	4,200	6,312	(2,112)
Excess Revenues Over (Under) Expenditures	4,460	2,578	(1,882)
Changes in Fund Balances			
Net Change in Fund Balances		2,578	
Fund Balance - Beginning of Year		17,060	
Fund Balance - End of Year		<u>\$ 19,638</u>	

The footnotes are an integral part of these financial statements.



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Report on Internal Control

December 8, 2008

To the Township Board
Grattan Township
Belding, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Township of Grattan (the "Township") as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements such that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

Reconciliation of Subsidiary Ledgers

During the testing of accounts payable and accounts receivable, we noticed that the subsidiary ledgers of both accounts payable and accounts receivable are not being reconciled to the general ledger. Reconciling the subsidiary ledgers could potentially lead to the discovery of errors more quickly, allowing the Township to take more timely corrective action. Reconciling more frequently

Reconciliation of Subsidiary Ledgers (Continued)

would also allow the Township to better match its revenues and expenses into the proper accounting period, improving the usefulness of its accounting reports. We recommend reconciling the accounts payable and accounts receivable subsidiary ledgers to the general ledger at least once per quarter.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no material weaknesses in internal control.

We are grateful to be of service to the Township. Should you wish to discuss any of the items included in this report, we would be happy to do so.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and has a fluid, connected style.

Gabridge & Company, PLC



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December 8, 2008

To the Township Board of the
Township of Grattan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan (the "Township") for the year ended March 31, 2008, and have issued our report thereon dated December 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as a governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Township of Grattan and is not intended to be and should not be used by anyone other than those specified parties.

Best regards,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand clearly visible.

Gabridge & Company, PLC